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MAYOR'S REPORT

2013/2014 Adjustments budget presentation by his Worship the Mayor, Councillor N Luzulane, at Ingwe Municipality in January 2014.

Mr Speaker, I wish to present an overview of the Adjustments Budget for the 2013/2014 budget year. This Adjustments Budget document is prepared in terms of the Municipal Budget and Reporting Regulations, promulgated in the Government Gazette No. 32141, dated 17 April 2009 and Municipal Finance Management Act(Act no.56 of 2003.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

The President stated that challenges faced by the Country cannot be solved by Government alone but working together with all Sectors, solutions can be found. The position has not changed to date. We still need to work together as Government, Municipality included, with various Sectors.

Three challenges have been identified which remained a ticking time bomb in our Country.

These are:

1. Poverty
2. Unemployment, and
3. Inequality

These need special attention from every entity. We are therefore reminded of the President's State of the Nation Address, when he said "Our goal is clear. We want to have a Country where millions more South Africans have decent employment opportunities, which has a modern infrastructure and a vibrant economy and where the quality of life is high".

The adjustments budget consists of the following:

Capital Adjustments Budget	R 92 261 485.15
Operating Adjustments Budget	R 73 964 329.87
TOTAL	R 166 225 815.02

Taking the abovementioned explanation into account, I hereby recommend that the council may approve the adjusted budget

I thank you

2. BUDGET RELATED RESOLUTION

RECOMMENDED

1. That the adjustments budget for the 2013/2014 budget year be approved as set-out in the following schedules:

1.1 Adjustment Budget Summary(Financial Performance, Capital Expenditure and Fund Sources, Financial Position, Cash Flow&Assets Management

1.2 Adjustment Budget Financial Performance(Revenue and Expenditure by Standard classification)

1.3 Adjustments Budget Financial Performance(Revenue and Expenditure by Vote)

1.4 Adjustments Budgeted Financial Performance(Revenue and Expenditure)

1.5 Adjustments Budgeted Capital Expenditure(by Vote, Standard classification and funding)

2 That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery measurement are adopted as set out in the following tables

2.1 Adjustments Budgeted Financial Position

2.2 Adjustments Budgeted Cash Flows

2.3 Cash backed reserves& accumulated surplus Reconciliation.

2.4 Asset Management

2.5 Basic Service Delivery Measurement

3. That the recommendations of the Budget Steering Committee be approved

4. That the revisions to the monthly and quarterly service delivery targets and indicators in the service delivery and budget implementation plan be approved.

4. ADJUSTMENTS BUDGET TABLES

- B1- Adjustments Budget Summary
- B2-Adjustments Budget Financial Performance (Standard Classification)
- B3-Adjustments Budget Financial Performance(Revenue &Expenditure by Municipal Vote)
- B4-Adjustments Budget Financial Performance (Revenue& Expenditure)
- Chart B5-Adjustments Budget Capital Expenditure Budget by Vote and Funding
- B6-Adjustments Budget Financial Position
- B7-Adjustment Budget Cash Flows
- B8-Cash Back Reserves/Accumulated Surplus Reconciliation
- B9-Asset Management
- Chart B9-Asset Management
- B10-Basic Service Delivery Measurement

3. EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The tabling of the 2013/2014 adjustment budget is indicative of the Ingwe Municipality's commitment to the people of Ingwe Municipality with a total adjusted budget of R 166 225 815.02 separated between operating budget of R 73 964 329.87 and a capital adjustment of R 92 261 485.15. In keeping with the Ingwe Municipality's commitment towards financial viability and sustainability combined with fiscal stability and improved quality of life for all our residents.

The municipality has embarked on implementing on revenue enhancement strategy to optimize the collection of debt owed by consumers. Furthermore the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

The following table is a consolidated overview of the proposed 2013/2014 adjustments budget and medium term revenue and expenditure framework:

3.1 Consolidated Overview of the 2013/2014 Adjustments Budget.

Details	Original Budget 2013/2014	Adjusted Budget 2013/2014
Property Rates	11 000 000.00	3 900 000.00
Service charges	450 000.00	300 000.00
Penalties rates&refuse		
Surplus from 2013	30 000 000.00	62 581 279.03
Traffic fines	200 000.00	200 000.00
Rent of facilities and equipment	290 000.00	381 000.00
Interest received	3 800 000.00	4 000 000.00
Government grants and subsidies	85 202 000.00	85 202 000.00
Corridor development-Roll over		3 827 088.00
Gerald bhengu-Roll-over		850 000.00
MIG-Roll over		4 655 847.99
Other Revenue	437 800.00	328 600.00
TOTAL REVENUE INCLUDING SURPLUS	131 339 800.00	166 225 815.02
TOTAL REVENUE EXCLUDING SURPLUS	101 339 800.00	103 644 535.99
Employee related costs	24 393 331.59	24 644 388.57
Remuneration of councillors	6 391 797.63	6 391 797.63
Bad debts	475 200.00	425 200.00
Depreciation	5 000 000.00	5 000 000.00
Repairs and Maintenance	8 210 000.00	7 960 000.00
Programmes	8 790 000.00	11,744 253.94
Finance costs	316 800.00	346 800.00
Contracted services	3 258 600.00	3 585 000.00
General expenses	12 242 759.18	13 866 889.73

TOTAL EXPENDITURE		
Capital budget	60 179 500.00	92 261 485.15
Net(Surplus)Deficit	-2 081 811.60	0

The total adjusted operating revenue has grown by 26,56% for the 2013/2014 financial year due to the roll overs for prior year.

The total adjusted operating expenditure for the 2013/2014 financial year has been appropriated at R 73 964 329.87 and translates into a nil surplus .The adjusted operational expenditure has grown to 7,07% when compared to the original budget.

Employee Related Costs

The adjusted budget has grown by 0.82% when compared to the original budget, which is caused by the need to fill in certain post in our organogram, therefore there is no savings for the municipality

Remuneration of councillors

The adjusted budget is the same as original budget there was no need to do any adjustment looking at the municipality past six months performance.

Depreciation

There is no movement in depreciation based on the actual expenditure for the past six months.

Repairs and Maintenance

The adjusted budget is 3.05% less compared to the original budget 2013/2014,reason being is some item were over budgeted, therefore municipality has incurred some savings

Programmes

The adjusted budget has grown by 33.61 per cent when compared to the original budget, the reason being is that municipality has included some items which was omitted in the original budget and some were under budgeted.

3.2 The following table is a summary of Capital Adjusted Budget 2013/2014: Capital Expenditure by category

Category	Original Budget 2013/2014	Adjusted Budget 2013/2014
Infrastructure	37 264 500.00	37 264 500.00
Community	14 714 500.00	14 714 500.00
Investment Property	2 000 000.00	2 000 000.00
Other Assets	6 200 500.00	6 860 978.34
Project for prior years		31 421 506.81
Total	60 179 500.00	92 261 485.15

The adjusted capital budget for 2013/2014 has grown by 53.31% when compared to the original budget, the reason being is municipality has included prior years/roll over project

3.3 Government grants and subsidies Allocation

Details	Original Budget 2013/2014	Adjusted Budget 2013/2014
Equitable Share	57 002 000.00	57 002 000.00
Municipal Infrastructure grant	21 621 000.00	21 621 000.00
Financial Management grant	1 650 000.00	1 650 000.00
Municipal Systems grant	890 000.00	890 000.00
Sport and Recreation	2 100 000.00	1 575 000.00
Expanded public works	1 000 000.00	1 000 000.00
Corridor Development Roll-over		3 827 088.00
MIG-Roll-over		4 655 847.99
Gerald Bhengu Musiem-Roll-over		850 000.00
Sports and Recreation-Roll-over		525 000.00
Total	84 263 000.00	93 793 935.99

The adjusted allocation has grown by 11.32% when compared to the 2013/2014 original budget because of prior years roll-over grants.

3.4 The adjustments in the adjustments budget will enhance the service delivery and budget implementation plan, service delivery agreements, medium term revenue and expenditure framework and long term financial sustainability of the municipality.

PART 2-SUPPORTING DOCUMENTATION

2.1 Explanatory notes to MBRR Table B1-Budget Summary

1. Table B1 is a budget summary and provides a concise overview of Ingwe Local Municipality's budget from all the major financial perspectives (operating, capital expenditure, financial position, cash flow and MFMA funding compliance).

2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

3. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The municipality is committed to provide free basic services to the needy community. In addition, the municipality continues to make progress in addressing service delivery backlogs.

2.2 Explanatory notes to MBRR Table B2-Budgeted Financial Performance(revenue and expenditure by standard classification)

1. Table B2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into its functional areas. Municipal revenue, operating expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

2.3 Explanatory notes to MBRR Table B3-Budgeted Financial Performance(revenue and expenditure by municipal vote)

1. Table B3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure. This means it is possible to present the operating surplus or deficit of a vote. The table shows the analysis of the surplus or deficit

5. ADJUSTMENTS TO BUDGET ASSUMPTIONS

1. Given the constraints on the revenue side, the Council took very tough decisions on the expenditure side. Priority was given to:

- Protecting the poor from the worst impacts of the economic downturn
- Expediting spending on capital projects that are funded by conditional grants.

2. In preparing the adjustments budget, the following priorities were taken into account:

- Deliver more and better services in a caring and efficient manner
- Hold political office bearers and public servants accountable

The challenge for the municipality is to do more within its existing resource envelope

3. Over the next few years, the municipality must deliver more services- and deliver them more efficient-within a tight resources envelope. Achieving this objective requires a new way of working:

- The adjustments budget has been reprioritized so that money is moved from low-priority programmes to high priority programmes.

6. ADJUSTMENTS TO BUDGET FUNDING

6.1 Adjusted budget is funded as follows:

• Rates	3 900 000.00
• Other Income	909 600.00
• Refuse	300 000.00
• Investment Income	4 000 000.00
• Accumulated Surplus	62 581 279.03
• Equitable Share	57 002 000.00
• MIG	21 621 000.00
• FMG	1 650 000.00
• MSIG	890 000.00
• Libraries grant	939 000.00
• Expanded public works	1 000 000.00
• S&R	1 575 000.00
• MIG-Roll -over	4 655 847.99
• Other Roll –over grants	5 202 000.00
Total	166 225 815.02

6.2 The future fiscal sustainability of the Council is not very positive. The following are contributing factors for this situation:

- The continued inability of consumers to settle outstanding accounts
- The continued dependency on grant funding from the national government

6.3 Investments

At present the Council does not have long term investments to fund the operating or capital expenditure. The investment portfolio for the Council is short term investments for conditional grants received from National Treasury and other organization of state.

Explanatory notes to Table B5-Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table B5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote, capital expenditure by standard classification, and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. The capital programme is funded by grants, donations and internally generated funds

Explanatory notes to Table B6-Budgeted Financial Position

1. Table B6 is consistent with international standards of good financial management practice, and improves understanding ability for councillors and management of the impact of the budget on the statement of financial position (balance sheet)
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version.
3. Any movement on the budgeted financial performance or the capital budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalent at year end.

